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Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
COME-00 EB-08 LAB-04 SIL-01 AID-05 TRSE-00 OMB-01
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R 280730Z JAN 77
FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 6054
INFO AMEMBASSY JAKARTA
AMEMBASSY SINGAPORE

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JAKARTA FOR REGIONAL LABOR ATTACHE

E.O. 11652: N/A
TAGS: ELAB PINT MY
SUBJ: GOM PROPOSES NEW CIVIL SERVICE WAGE SCALE

REF: 76 KUALA LUMPUR 5823 AND PREVIOUS

1. SUMMARY. THE GOM HAS PROPOSED A NEW PUBLIC SERVICE WAGE SCHEME TO REPLACE THE IBRAHIM ALI REPORT. THE NEW SCHEME, WHICH GIVES SOMEWHAT BETTER SALARY TERMS TO THE LOWEST PAID CIVIL SERVICE WORKERS THAN THE IBRAHIM ALI REPORT, IS SUBSTANTIALLY LESS BENEFICIAL TO MIDDLE AND UPPER GRADE EMPLOYEES, ALTHOUGH ALL PUBLIC SERVICE WORKERS WILL GET RAISES. ACCORDING TO GOM FIGURES, THE NEW SCHEME WILL COST THE GOVERNMENT ABOUT HALF OF THE PROJECTED COST OF THE IBRAHIM ALI RECOMMENDATIONS. THE GOM CALLED A SPECIAL SESSION OF PARLIAMENT TO OBTAIN A MANDATE FOR THE IMPLEMENTATION OF ITS PROPOSED WAGE SCHEME. THE CIVIL SERVICE UNIONS' POSITION HAS BEEN SERIOUSLY UNDERCUT BY THE GOM'S ACTION, AND THEY ARE AGAIN THREATENING TO STRIKE.
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THE LONG SIMMERING DISPUTE OVER CIVIL SERVICE PAY HAS NOW COME TO A HEAD, BUT IT IS VERY LIKELY THAT THE UNIONS, ALTHOUGH IRATE AT THE HIGHHANDEDNESS OF THE GOM, WILL ACCEPT THE NEW SCALE. END SUMMARY.

2. IN A JAN 25 MEETING WITH REPRESENTATIVES OF THE MAJOR CIVIL SERVICE UNIONS, THE GOM ANNOUNCED THAT

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IT HAD REJECTED THE RECOMMENDATIONS OF THE IBRAHIM ALI COMMISSION ON A NEW PUBLIC SERVICE WAGE SCHEDULE AND THAT IT WOULD IMPLEMENT A NEW PAY SCHEME DRAWN UP BY A CABINET COMMITTEE HEADED BY DEPUTY PM MAHATHIR. PRIME MINISTER HUSSEIN ONN SAID THAT THE COST OF FULLY IMPLEMENTING THE IBRAHIM ALI REPORT WOULD BE ABOUT TWICE THE COST OF THE CABINET COMMITTEE RECOMMENDATIONS (M$1,300 MILLION VS. M$604 MILLION) AND THAT THE GOVERNMENT ONLY HAD THE RESOURCES TO PAY FOR THE SMALLER PACKAGE. HOWEVER, CONTENDED HUSSEIN, THE CABINET COMMITTEE RECOMMENDATIONS WOULD RESULT IN HIGHER RAISES FOR THE LOWEST PAID CIVIL SERVANTS THAN THE IBRAHIM ALI REPORT AND ALL PUBLIC SERVICE EMPLOYEES WOULD BENEFIT FROM HIGHER TAKE-HOME SALARIES AND INCREASED BACK PAY.

3. THE GOM ALSO ANNOUNCED THAT A SPECIAL TWO-DAY SESSION OF PARLIAMENT WOULD BE CALLED JAN 26-27 TO DISCUSS THE ISSUE. ON THE FIRST DAY OF THE SESSION PM HUSSEIN MOVED THAT PARLIAMENT REJECT THE IBRAHIM ALI REPORT, ACCEPT THE CABINET COMMITTEE PROPOSALS AND BACK THE GOVERNMENT IN ANY ACTION IT MIGHT DEEM NECESSARY TO SETTLE THE ISSUE. ON JAN 27 BOTH HOUSES OF PARLIAMENT PASSED THE MOTION UNANIMOUSLY (THE TEN OPPOSITION MP'S WERE ABSENT FOR THE VOTE). JUST BEFORE THE VOTE, MAHATHIR TOLD PARLIAMENT THAT THE GOM WOULD BE OPEN TO SUGGESTIONS FOR IMPROVING THE NEW SALARY SCHEME AND THAT THE GOVERNMENT HAD BEEN FORCED TO TAKE THE UNUSUAL STEP OF PRESENTING THE NEW PROPOSALS TO
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PARLIAMENT BECAUSE THE UNIONS HAD BEEN THREATENING TO STRIKE BY JAN 31 IF THE IBRAHIM ALI REPORT WERE NOT IMPLEMENTED.

4. THE CIVIL SERVICE UNION LEADERS REACTED BITTERLY TO THE GOM TACTICS ON A NEW WAGE SCALE. THEY HAD GONE INTO THEIR JAN 25 MEETING WITH THE PRIME MINISTER EXPECTING TO DISCUSS THE IBRAHIM ALI REPORT, ESPECIALLY DIFFERING GOM AND UNION VIEWS OVER THE COST OF IMPLEMENTING IT. INSTEAD, THEY WERE PRESENTED WITH A TOTALLY NEW PLAN WHICH DIFFERS MARKEDLY FROM THE IBRAHIM ALI SCHEDULE, AND THEY WERE THEN FACED WITH PARLIAMENTARY APPROVAL OF THE CABINET COMMITTEE RECOMMENDATIONS IN TWO DAYS, THUS PROVIDING VIRTUALLY NO OPPORTUNITY FOR FURTHER COLLECTIVE BARGAINING. THE LEADERS REFUSED EVEN TO LOOK AT THE NEW PROPOSALS DURING THE MEETING WITH HUSSEIN SAYING THEY HAD A MANDATE TO DISCUSS ONLY THE IBRAHIM ALI REPORT. IN THE HEAT OF THE MOMENT AFTER MEETING WITH THE PM,

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JAMALUDDIN ISA, SECRETARY GENERAL OF THE CONGRESS
OF UNIONS OF EMPLOYEES IN THE PUBLIC AND CIVIL
SERVICES (CUEPACS), TOLD REPORTERS THAT "A STRIKE IS
NOW UNAVOIDABLE." HOWEVER, CUEPACS AND ITS INDIVIDUAL
AFFILIATE UNIONS HAVE CALLED A SERIES OF MEETINGS
FOR THE NEXT WEEK TO DISCUSS WHAT FURTHER STEPS THEY
SHOULD TAKE, AND ONE UNION OFFICIAL TOLD A LOCAL
REPORTER THAT THE UNIONS WOULD NOT STRIKE BECAUSE
"THEY KNOW THE GOVERNMENT MEANS BUSINESS." ONE UNION
LEADER, REPRESENTING LOWER PAID CLERKS, HAS ALREADY
SAID THAT HE IS SATISFIED WITH THE NEW SCHEME AND
INDICATED THAT A STRIKE BY HIS UNION IS UNLIKELY.

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JAKARTA FOR REGIONAL LABOR ATTACHE

5. COMMENT. THE GOM HAS FINALLY DECIDED TO RESOLVE A
DISPUTE WHICH HAS BEEN ACTIVE FOR OVER SIX MONTHS
BY IMPOSING A SOLUTION, BUT BY DOING SO IN A MANNER WHICH
VIRTUALLY ENSURES ITS SUCCESS. AFTER THE UNIONS CALLED
OFF THEIR STRIKE THREAT IN OCTOBER, BOTH THE GOVERNMENT
AND THE UNIONS ENGAGED IN A VEHEMENT CONTROVERSY OVER
HOW MUCH IT WOULD COST TO IMPLEMENT THE IBRAHIM ALI
REPORT. NEITHER SIDE WAS CONVINCED BY THE OTHER'S
FIGURES. MEANWHILE, THE GOM FACED THE ISSUE WITH ITS
CHARACTERISTIC FISCAL CONSERVATISM, SET A COST LIMIT
OF ABOUT M$300 MILLION PER YEAR AND CONSTRUCTED A
SALARY SCHEME WITHIN THAT LIMIT. IN PROPOSING A

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SCALE WHICH GIVES THE LARGEST RAISES TO THE LOWEST
PAID WORKERS AND GUARANTEES A LARGE LUMP SUM
RETROACTIVE PAYMENT TO MOST WORKERS, OBTAINING THE
APPROVAL OF PARLIAMENT, OFFERING TO LISTEN TO SUGGESTIONS
FOR AMENDING THE PROPOSALS AND SUBTLY HOLDING OVER
THE HEADS OF THE UNIONS THE POSSIBILITY OF
INVOKING EMERGENCY REGULATIONS (SUPPORTED BY
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PARLIAMENT) TO PREVENT A STRIKE, THE GOM HAS
CONFOUNDED THE LEADERSHIP AND SPLIT THE RANKS OF THE
CIVIL SERVICE UNIONS. ALTHOUGH THE POSSIBILITY
REMAINS OF UNCOORDINATED WILDCAT STRIKES BY SOME
WORKERS, IT IS VERY UNLIKELY NOW THAT THERE WILL BE A
GENERAL STRIKE BY THE PUBLIC SECTOR EMPLOYEES, AND THE
IBRAHIM ALI CONTROVERSY SEEMS CLOSE TO AN END.
UNDERHILL

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